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SUBJECT: RUSSIA AND INDIA: MAKE NEW FRIENDS, BUT DON'T
FORGET THE OLD

REF: A. NEW DELHI 440

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[C](#). MOSCOW 301

Classified By: Political M/C Alice G. Wells. Reasons: 1.4(B/D).

[1](#). (C) Summary: Russia's goal is to "revitalize" its ties to India by concentrating on energy security and hi-tech joint projects according to the MFA, which provided a readout on Putin's trip to India and a look ahead at high-level meetings in February. Moscow heralded an agreement to sell four new reactors to New Delhi, but acknowledged it would need to work with Washington in the Nuclear Suppliers Group. Russian experts were skeptical about further growth in Russia's arms relationship with India and argued that anemic trade figures could not be remedied by government fiat, but needed a private sector solution. There are no serious political issues separating Moscow and New Delhi and Russia will continue its support for India's permanent seat on the UN Security Council. Russia-China-India talks in New Delhi are unlikely to produce any concrete results. Russia is struggling to readjust its longstanding ties with India to meet new realities. End Summary.

MFA: ROSY ASSESSMENT

[2](#). (C) The MFA's briefing after President Putin's January 25-26 India trip highlighted agreements on civilian nuclear cooperation, hi-tech joint ventures and military sales, while downplaying political discussions. MFA Deputy Director Andrey Budnik's spin was that Moscow and New Delhi were taking their strategic partnership to a new level by focusing on cutting edge technologies and increasing energy cooperation. The MFA stressed that Putin's visit was not the end of Russia's engagement for the year, but only the beginning. According to the MFA, Russia and India are on the same page on most international and regional issues, and the GOR was now looking forward to troika (Russia, China, India) discussions in New Delhi on February 14. The MFA posited that Russian Economics Minister Gref's mid-February visit to India would be a start at addressing disappointing trade levels. Summing up, Budnik argued that Russia's longstanding close ties with India were being revitalized and updated to reflect the realities of the new "multipolar century."

NEW IMPETUS TO AN OLD RELATIONSHIP

[3](#). (C) The GOR's take on this year's summit was decidedly more upbeat than the assessment following PM Singh's late

2005 visit to Moscow (ref B). Then, the MFA was concerned that despite high-level and frequent discussions, firm results were lacking. As Gennadiy Chufrin, Deputy Director of the Institute for World Economy and International Relations (IMEMO) explained, following the steep fall-off in trade and other contacts following the fall of the Soviet Union and after India's economic liberalization, the bilateral relationship was primarily based on military cooperation and a shared sensibility on international issues.

However, nostalgia and affirmations of strategic partnership were insufficient to propel the relationship forward in the absence of underlying concrete activity. Chufrin told us before the latest visit that he detected a quickening pace, particularly in the fields of hi-tech and energy, which suggested that a resurgent Russia and a growing India could renew their ties. At the same time, he acknowledged that closer ties between Washington and New Delhi constituted a "fact on the ground" which complicated Russian ties with India and challenged longstanding assumptions about India's strategic position.

. RUSSIA IN THE NUCLEAR LEAD -----

14. (C) In reviewing those factors which have deepened the relationship, energy cooperation looms large in the MFA's calculations. The MFA highlighted the importance of the signing of a Memorandum of Intent to construct four additional nuclear power plant units at Kudankulam, while stressing that Russia would act in a manner consistent with its Nuclear Suppliers Group (NSG) responsibilities and only after an IAEA safeguards agreement had been concluded (see ref C). Deputy Director Budnik stressed that India had an

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excellent record on proliferation. While slyly noting that only France and the U.S. could compete in this field with Russia and that Moscow had "gotten there first," Budnik said that Russia would work with the U.S. and others in the NSG to address concerns about India, but said that this would involve "heavy lifting." (Comment: Budnik responded to another diplomat who asked whether the U.S. and Russia were in competition in India by noting that Russia had strong ties to India dating back many years and had "always" demonstrated its reliability as New Delhi's "primary" strategic partner. End Comment.)

. HI-TECH AND MILITARY COOPERATION -----

15. (C) Putin's visit, which had been immediately preceded by a visit by Defense Minister Sergey Ivanov, was also marked by an agreement to jointly develop and produce the 100-seater Multi-Role Military Transport Aircraft (MRTA) as well as by a verbal agreement to jointly develop a Fifth Generation Fighter Jet (ref A). Recognizing that military cooperation remained a major pillar of bilateral ties, the MFA stressed that the agreements inked in New Delhi reflected growth in the relationship -- Russia was no longer simply selling and India buying, but now the two had moved on to joint R&D, manufacturing and marketing. Joint development of the Brahmos cruise missile was held up as a model for the transformed relationship. The Russians also stressed a stepped-up level of hi-tech cooperation, citing an Indian/Russian technical center to be set up in Russia to facilitate the commercialization of jointly developed technologies, as well as joint work on the GLONASS Global Navigation system and a project to produce titanium oxide in Orissa.

16. (C) While the Russian experts we spoke to acknowledged that military/technical cooperation had sustained ties during the lean nineties, some questioned its continuing relevance, as India developed an independent capacity to produce the latest generation arms and sought more advanced electronics in its weapons systems. Russian Institute for Strategic

Studies Director Yevgeniy Kozhokin pointed out that work on the Brahmos joint venture had hardly been seamless. Difficult IPR issues remained when India attempted to integrate Western technology onto Russian military platforms, despite an IPR agreement the two sides had wrangled over for years before signing in 2005. Tatiyana Shaumian, who heads the Center for Indian Studies at the Oriental Institute, also highlighted difficulties in implementing military technical agreements because of continuing problems in supplying spare parts for Russian weapons. She said that the GOR was responsible for delays in refurbishing the Russian aircraft carrier the Admiral Gorshkov.

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ENERGY: FUTURE PILLAR?

17. (C) Despite the MFA's best efforts to suggest that energy ties would bolster the relationship, aside from the nuclear agreements, there was little concrete progress. While the first oil from India's investment in the Sakhalin I project was off-loaded in India in December, the sides could only agree to encourage state oil companies ONGC and Rosneft to discuss upstream and downstream projects. With the possible exception of LNG from Sakhalin, energy experts were dubious that Russia could become a significant supplier for India. Chufirin noted that while it might make sense that energy would become a larger component in the relationship given Russia's role as an energy supplier and India's as a buyer, geographic constraints and Russia's greater interests in Europe and Northeast Asia would limit energy ties. Shaumian pointed out that while Russian firms were interested in working on an Iran-Pakistan-India pipeline, there were serious political and economic barriers that made that project seem unlikely anytime soon. She said pipelines from Central Asia through Afghanistan faced their own set of complications.

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TRADE: FLY IN THE OINTMENT

18. (C) Low trade levels were the primary stumbling block in the relationship, according to the MFA, but the remedies suggested -- official target-setting and further governmental

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talks -- were unlikely to spur increased trade according to Russian experts. The MFA said that a joint study group would focus on identifying trade barriers with the goal of raising turnover from its current level of USD 3.8 billion to over USD 10 billion a year by 2010. Minister Gref's mid-February visit is designed to boost these totals.

19. (C) However, as Shaumian stressed, government-led efforts missed the point; what was needed were greater interaction between Russian and Indian business figures, and that was not happening. Part of the problem was the thorny issue of business visas for Indians -- with Putin insisting that any deal on visas be linked to Indian willingness to sign a readmission agreement with Russia, which Moscow was compelled to do by its agreement with the EU on visas and readmissions. As it was, Indians often needed to wait two months to travel to Russia, which put up obstacles to concluding business deals. Moreover, Shaumian noted, Russian companies were more comfortable dealing with other Europeans or even the Chinese than they were with India, even though India offered more relevant lessons for Russia on how to develop hi-tech centers and encourage the growth of small and medium enterprises.

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POLITICAL HARMONY

110. (C) Political discussions at the Summit were unremarkable, according to the MFA's Budnik, given the consensus on Russia's favorite topics: the need to recognize a multipolar world, non-interference in internal affairs,

territorial integrity, and the central role of the UN. On the latter, Russia continues to support a permanent seat on the Security Council, albeit without a veto, according to the MFA. Counter-terrorism cooperation and India's role as an observer in the Shanghai Cooperation Organization were also touched on. The Russians encouraged the Indians to be more active in Central Asia, but there was only a limited discussion of Afghanistan and little or none on the Indo-Pakistani dispute. Russian experts we talked to were hard pressed to point to any serious problems on the political level.

TROIKA: NOT MORE THAN MEETS THE EYE

¶11. (C) The MFA highlighted the mid-February discussions among the Chinese, Indian and Russian Foreign Ministers in New Delhi as marking another milestone in the developing troika relationship, but were quick to add that the grouping was not directed against any other country. Moscow wants the Troika to focus on economic cooperation, regional issues and counterterrorism. During the Putin meetings, the Russians had also raised the possibility that the BRIC (Brazil, Russia, India and China), which had met on the margins of last year's G-8 Summit in St. Petersburg, could focus on political issues, but India pushed for a continued BRIC focus on economic topics.

¶12. (C) IMEMO's Chufirin was skeptical about the Troika's value -- he saw an absence of concrete activity that could lead to results and viewed it as a talking shop. In his view, difficulties in the India-China relationship limited the group's potential; China's support for Pakistan and territorial disputes with India and its concerns about the burgeoning U.S.-India relationship were stumbling blocks that Russia could do little to influence. At the same time, he thought that rapidly expanding trade ties between India and China could form the basis for more constructive efforts in the future. In this view, Russia would act as the energy supplier to the two manufacturing powerhouses, but he questioned whether this arrangement met Russia's interests. Shaumian agreed that bilateral problems between Beijing and New Delhi limited the ability of Russia to make something out of the Troika, but looked to economic ties as the driver of a closer political relationship.

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COMMENT

¶13. (C) Despite MFA's protests to the contrary, our Russian interlocutors are aware that growing cooperation between the U.S. and India challenges long held assumptions here about India's role as Russia's closest partner in Asia. As

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government-to-government economic ties dwindle and India turns to others for defense technology, Moscow will likely seek to strengthen energy, scientific and technological ties and promote India's enhanced role in the UN. Russian supplies of oil and gas look to be a long-shot, with the exception of LNG from Sakhalin. Links with India remain strong, and are even expanding into new areas, but Russia is still struggling to reposition itself to take account of India's rising political status and growing economic capacity.
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